

Department of Liquor Control Performance Plan

George Griffin, Director
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CountyStat Principles

- **Require Data Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



Agenda

- **Welcome and Introductions**
- **DLC At-A-Glance**
- **Headline Measures**
- **Wrap-up**



DLC's Contribution to Montgomery Results

- **A Responsive and Accountable County Government**
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- **Healthy and Sustainable Communities**
- **Safe Streets and Secure Neighborhoods**
- **A Strong and Vibrant Economy**
- Vital Living for all of Our Residents

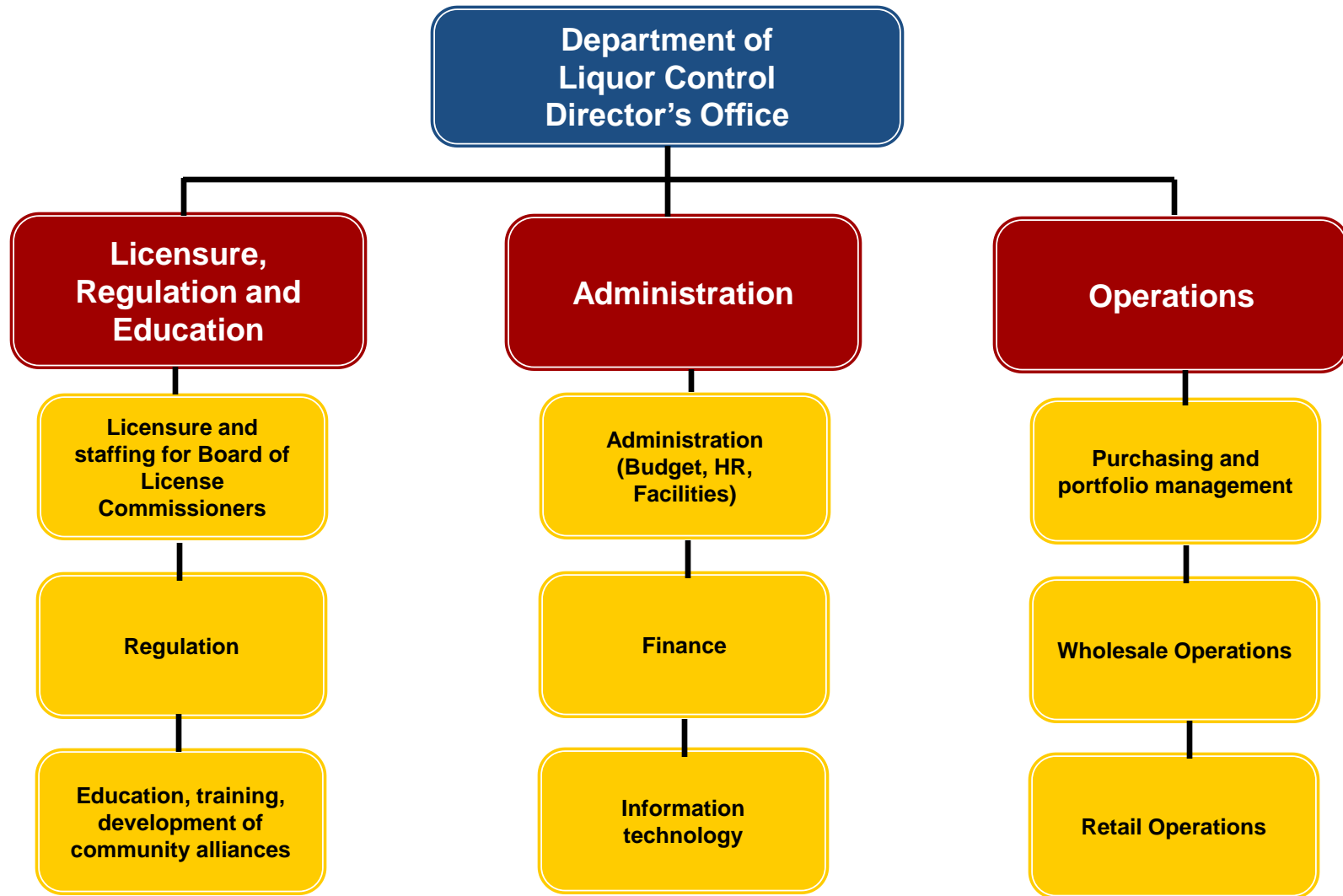


DLC At-A-Glance

What DLC Does and for Whom	How Much
<p><u>Overall</u></p> <p>The mission of the Department of Liquor Control is to provide a wide selection of products at competitive prices to the citizens of Montgomery County while promoting moderation and responsible consumption of the products offered for sale.</p>	<p>FY09 Budget: \$39,228,000</p> <p>Number of Employees: 324 (Including 60 p/t) [Work Years = 343.8]</p>
<p><u>Management, Delivery and Distribution (Business Operations)</u></p> <p>Provide wholesaling distribution services to 1,000 licenses and 24-26 county owned retail stores supporting a business operation with annual sales of almost \$200 million.</p>	<ul style="list-style-type: none"> ▪ \$13,330,540 ▪ 142.2 work years (WYs)
<p><u>Retail Sales</u></p> <p>Provide customer service via 24-26 retail stores to our residents numbering almost one million over a geographic area of approximately 500 miles.</p>	<ul style="list-style-type: none"> ▪ \$17,694,920 ▪ 151.4 work years (WYs)
<p><u>Licensure, Regulation and Education</u></p> <p>Provide licensure, education and training services to our licensees and promote moderation and responsible behavior.</p>	<ul style="list-style-type: none"> ▪ \$1,584,650 ▪ 15.0 work years (WYs)



Organizational Structure



Headline Measures

1. Annual Sales Growth
2. Gross Profit Margin
3. Retail Customer Satisfaction *Under Construction*
4. Wholesale Customer Satisfaction
5. Retail Sales as a Percentage of Total Sales
6. Sales per Retail Associate
7. Percentage of Licensees that Fail Compliance Checks
8. Number of Annual Alcohol Compliance Checks

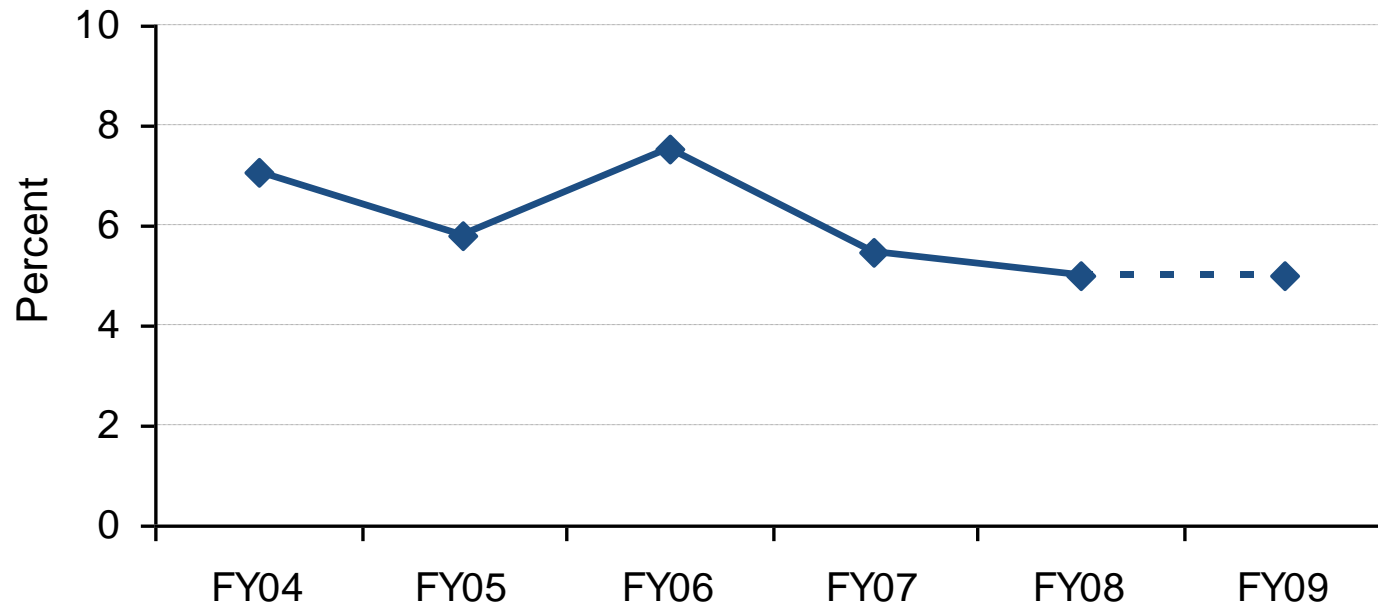


Comparison of Headline Measures to DLC Functions

	Measure #							
	1	2	3	4	5	6	7	8
Management, Delivery & Distribution (Business Operations)	✓	✓		✓				
Retail Sales	✓		✓		✓	✓		
Licensure, Regulation & Education							✓	✓



Measure 1: Annual Sales Growth



The decrease in annual sales growth is indicative of an overall national trend and a limited advertising strategy that is a reflection of the County's role.



Measure 1: Annual Sales Growth

What constitutes good performance?

- DLC achieved its target of 5.00 percent growth. The results are good and on target. The industry continues to experience a national growth rate that is lower than Montgomery County-DLC.

Contributing Factors

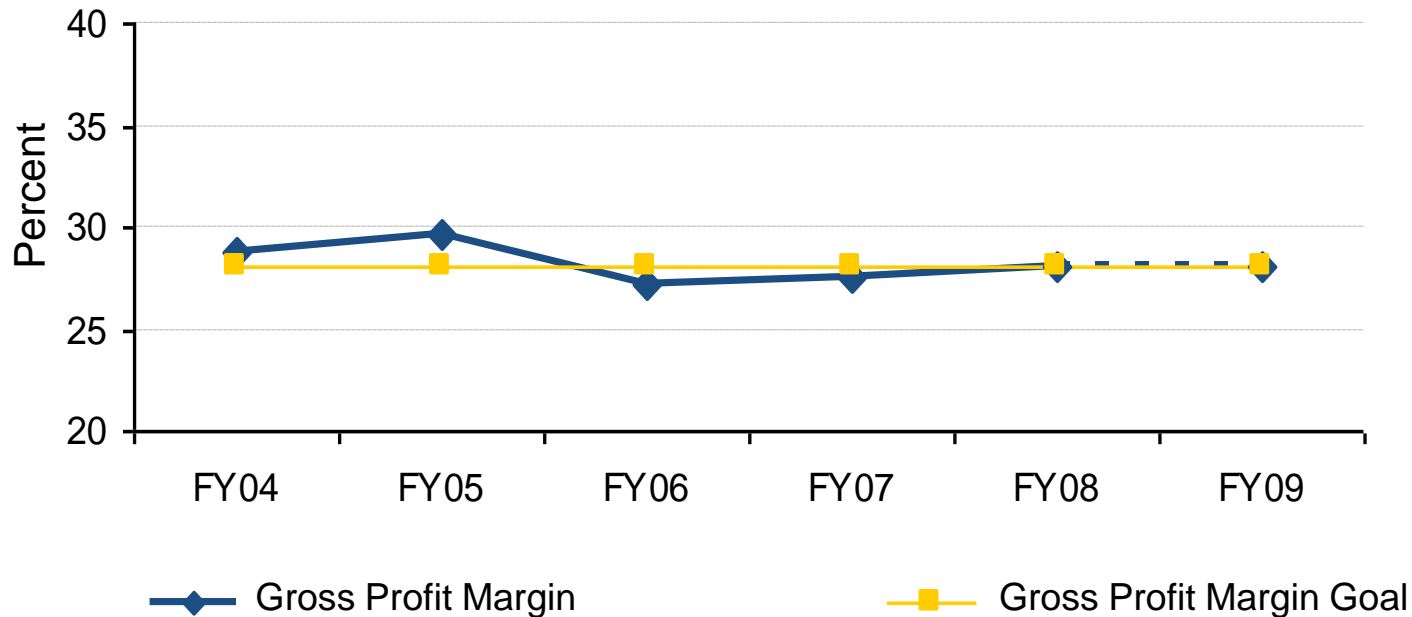
- High level of customer service satisfaction in its retail stores and wholesale delivery operations
- Competitive prices offered to its customers
- Adequate number of County retail stores to serve the County population

Restricting Factors

- An overall national trend that indicates flattening beer and liquor consumption.
- A limited advertising strategy that is a reflection of the County's role in this business operation.



Measure 2: Gross Profit Margin



Gross Profit Margin:
Percentage difference of the cost of goods sold minus the dollar sales

DLC's goal is to maintain a profit margin of 28 percent, which will ensure that it meets its operational cost and transfers a predetermined amount to the County's General Fund.



Measure 2: Gross Profit Margin

What constitutes good performance?

- DLC achieved its target gross profit margin of 28 percent, which ensured the ability of DLC to deliver \$22.168 million to the General Fund.

Contributing Factors

- Good product selection and inventory control. The Department ensures that new products are available to our residents and inventory is monitored carefully to avoid overstock levels.
- Offering competitive prices by surveying prices in surrounding jurisdictions and crafting the Department's prices to ensure competitiveness.
- Ensuring that the County's retail stores offer a rewarding retail experience with knowledgeable and service-oriented staff.
- The Department has added more product knowledge training for employees, including a 6-class series on wine basics and customer service.
- Several retail stores have been renovated so that new floors, checkout counters, and clean, freshly painted walls greet the customer.

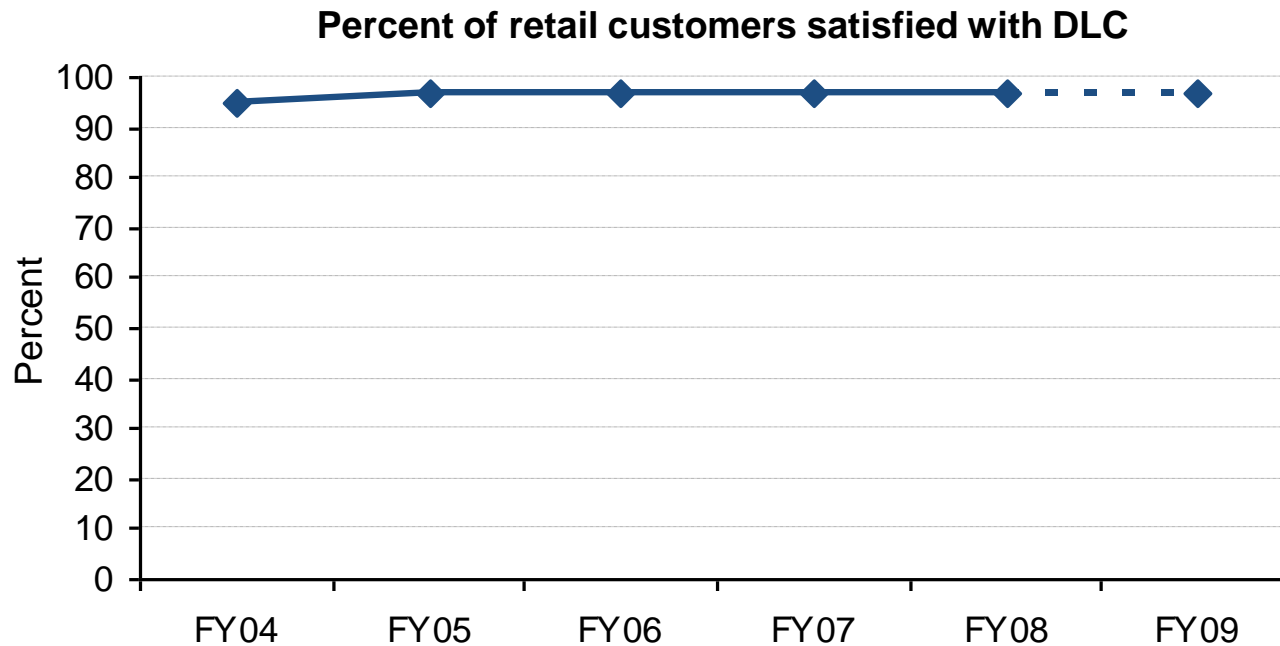
Restricting Factors

- In-house cost escalations, such as funding negotiated compensatory expenses, account for 65 percent of operating costs
- Other costs such as retail store leases and, utility and transportation costs are rising well above current sales growth trends.



Measure 3: Retail Customer Satisfaction

Under Construction



Moving forward, DLC will track its average customer satisfaction score from year to year, rather than the percent of customers satisfied.



Measure 3: Retail Customer Satisfaction

Under Construction

- **Revise retail customer satisfaction survey**
Status: **Complete**
 - CountyStat worked with DLC to revise survey questions and methodology
- **Determine which survey questions will be used to construct the headline performance measure**
Status: **Complete**
 - DLC could use an overall satisfaction rating based on an average of the whole survey
 - DLC could also isolate key questions for use as a headline measure
- **Distribute survey to DLC retail customers**
Status: **Complete**
 - Surveys will be distributed during the November holiday season to customers who make purchases in all DLC retail locations
- **Collect and report data for analysis**
Status: **In Progress**

CountyStat worked with DLC to reexamine its retail customer service survey to better tailor it to Department needs.



Measure 3: Retail Customer Satisfaction

Under Construction

What constitutes good performance?

- Retail customer satisfaction should improve over time

Contributing Factors

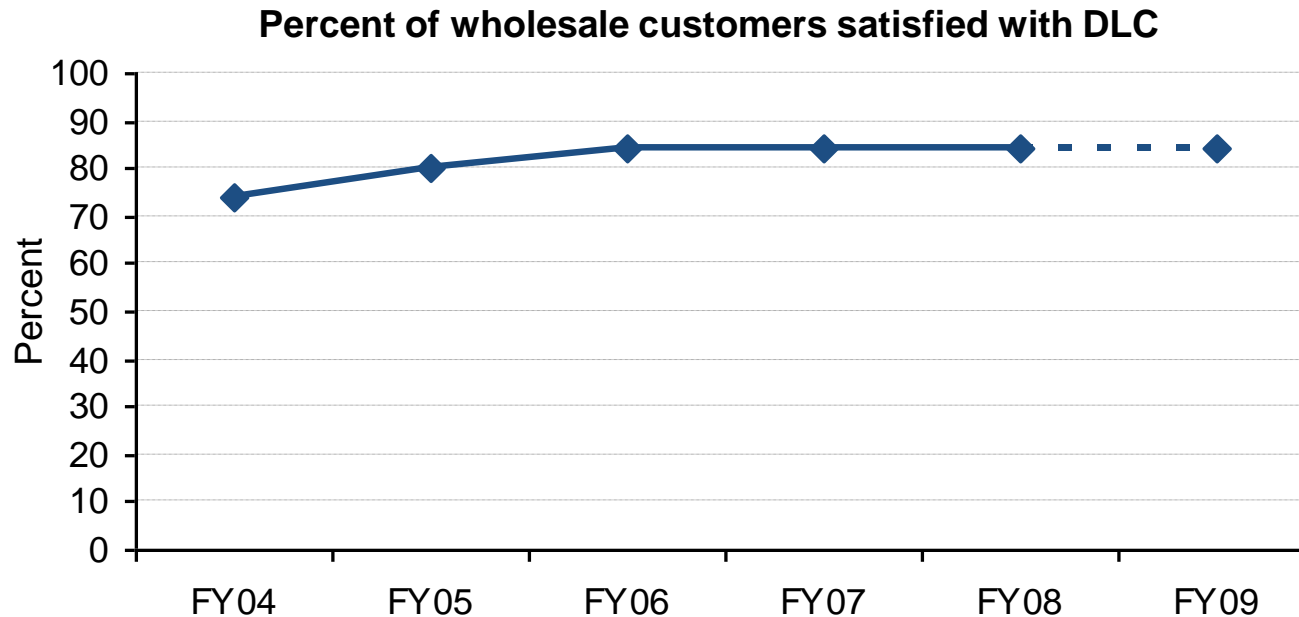
- Implementation of the retail store expectation checklist program. Stores are routinely inspected for compliance with established standards and appropriate training is provided to ensure that service standards are maintained.

Restricting Factors

- Customers generally do not participate in surveys if they are satisfied and hence surveys may be skewed.
- Participant's response is also impacted by his/her philosophical view of the County's role in the liquor warehousing and retail business.



Measure 4: Wholesale Customer Satisfaction



CountyStat worked with DLC to revise its wholesale customer service survey in order to increase validity and licensee participation. Moving forward, DLC will track its average customer satisfaction score from year to year, rather than the percent of customers satisfied.



Measure 4: Wholesale Customer Satisfaction

- **Surveys were mailed to DLC's 940 wholesale customers**
 - 178 wholesale customers responded, 19 percent response rate
 - Survey asked a variety of questions related to **customer service, communications, and product offerings**
- **Overall, the mean customer satisfaction score was 2.95 on a scale of 1-4**
 - This will be the baseline for future comparisons
- **Customer service received the highest average rating overall, followed by communications, and then product offerings**

DLC intends to use these survey results over time to target departmental improvements.



Measure 4: Wholesale Customer Satisfaction

What constitutes good performance?

- Wholesale customer satisfaction should improve over time

Contributing Factors

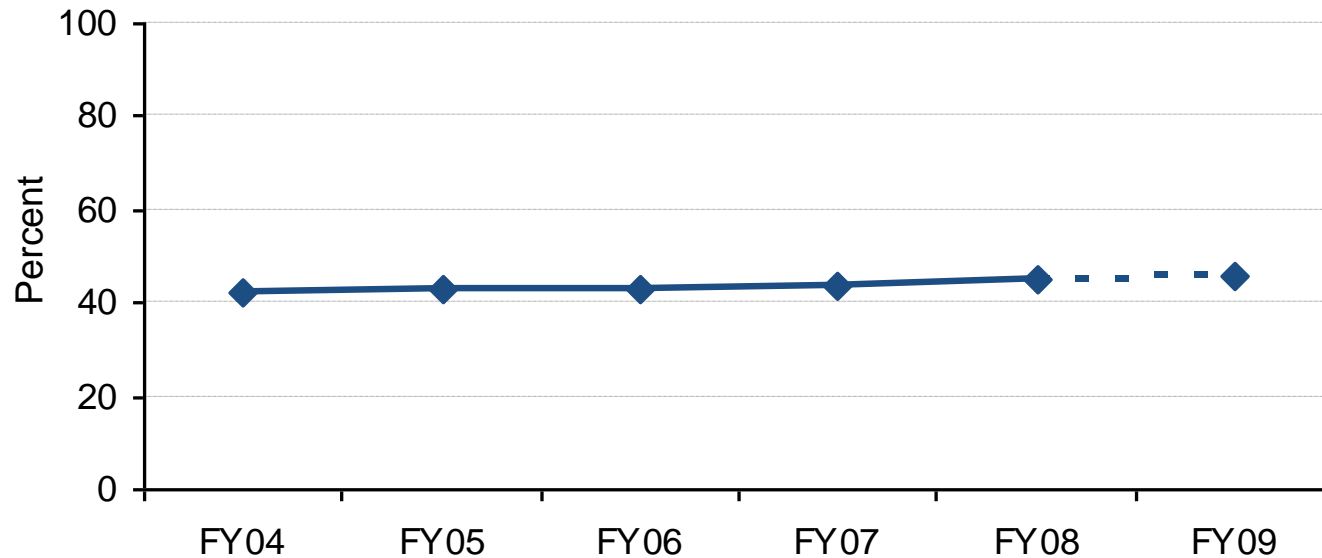
- Positive wholesale customer satisfaction is achieved by ensuring that orders are shipped on time and delivery personnel are trained on addressing issues that may arise while a delivery is being performed.

Restricting Factors

- Customers generally do not participate in surveys if they are satisfied and hence surveys may be skewed
- Participant's response is also impacted by his/her philosophical view of the County's role in the liquor warehousing and retail business.



Measure 5: Retail Sales as a Percentage of Total Sales



The Department's goal, in general, is to increase retail sales as a percentage of total sales because net profit per sale at retail stores is higher when compared to wholesale.



Measure 5: Retail Sales as a Percentage of Total Sales

What constitutes good performance?

- Increasing sales as a percentage of total sales
- DLC retail sales accounted for 45 percent of total sales in FY08, which is an increase from 44 percent in FY07. The results are positive as retail sales have a higher contribution to overall profitability and also demonstrate a higher level of resident acceptance of our retail stores.

Contributing Factors

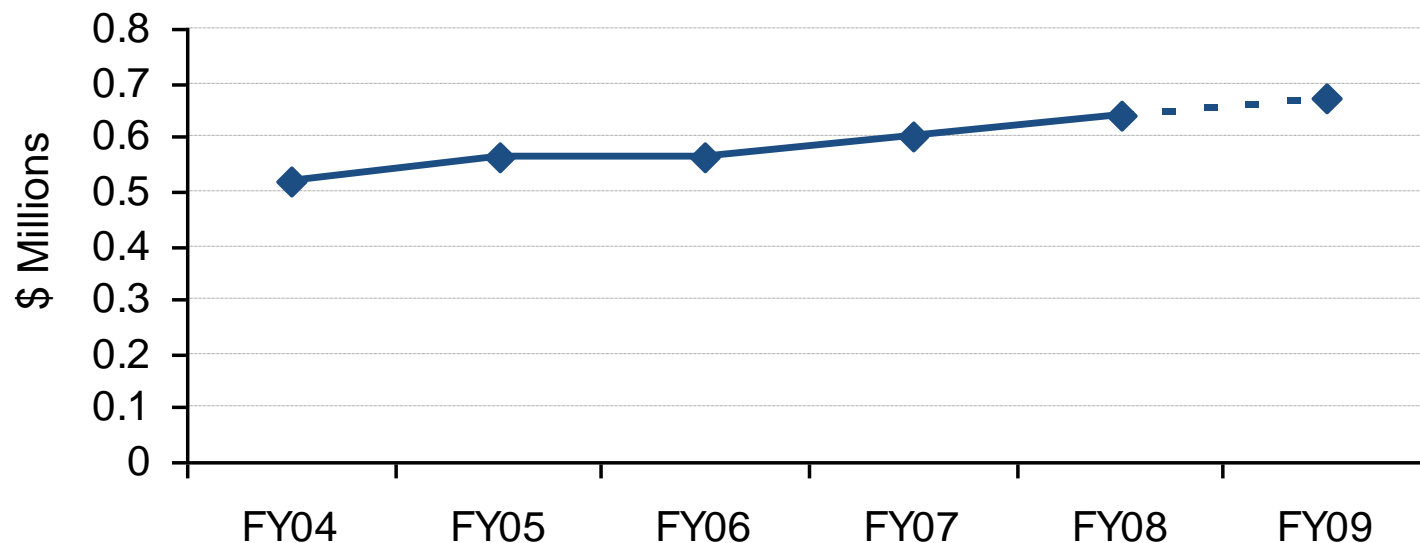
- Product selection strategies, store cleanliness, product stocking and staff knowledge.

Restricting Factors

- A high turnover of temporary staff. Most of the part-time staff also work another job, and/or attend college, making it difficult for them to commit long-term to working evenings and Saturdays in addition to their other obligations.
- Continuously emerging product lines that require new training and limited stores hours (no Sunday hours and 9:00pm-10:00pm closing times.)
- National trends point to flattening beer and liquor consumption



Measure 6: Sales per Retail Associate



The Department's goal is to ensure that productivity gains per associate are being realized to offset increasing personnel costs.



Measure 6: Sales per Retail Associate

What constitutes good performance?

- Increasing sales per retail associate
- Sales per associate have improved 6.6 percent from FY07 to FY08, which is a positive achievement. The results show the positive impact of good training and a comprehensive strategy to improve retail store sales.

Contributing Factors

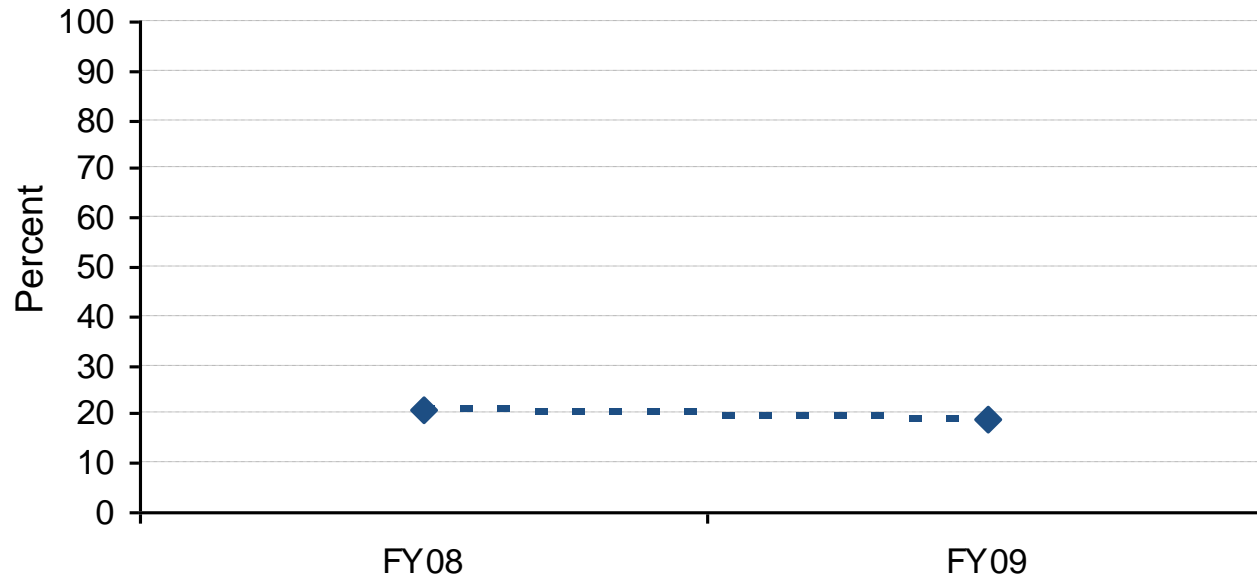
- Focus on customer service, competitive pricing, product knowledge and store presentation.

Restricting Factors

- High turnover of temporary staff and the accompanying learning curve for new staff.



Measure 7: Percentage of Licensees that Fail Compliance Checks



Note: Licensure, Regulation and Education was reorganized into the Department of Liquor Control in 2007

This is the baseline year for this measure. DLC will need to monitor this measure's performance to determine what, if any, strategies need to be modified.



Measure 7: Percentage of Licensees that Fail Compliance Checks

What constitutes good performance?

- Percent of licensees that fail compliance checks should decrease over time
- Percentage of compliance failures at 22 percent in FY08 establishes a baseline to measure improvements through Licensee training and education.

Contributing Factors

- Training and education about state law and county rules and regulations is provided to retailers. Resources such as point of sale materials and age identification calendars are distributed to licensees.
- Enforcement of minimum purchase age laws
- Vigorous use of compliance checks
- Application of appropriate sanctions to violating merchants
- Education of merchants regarding techniques and responsibilities
- Development of community support for enforcement

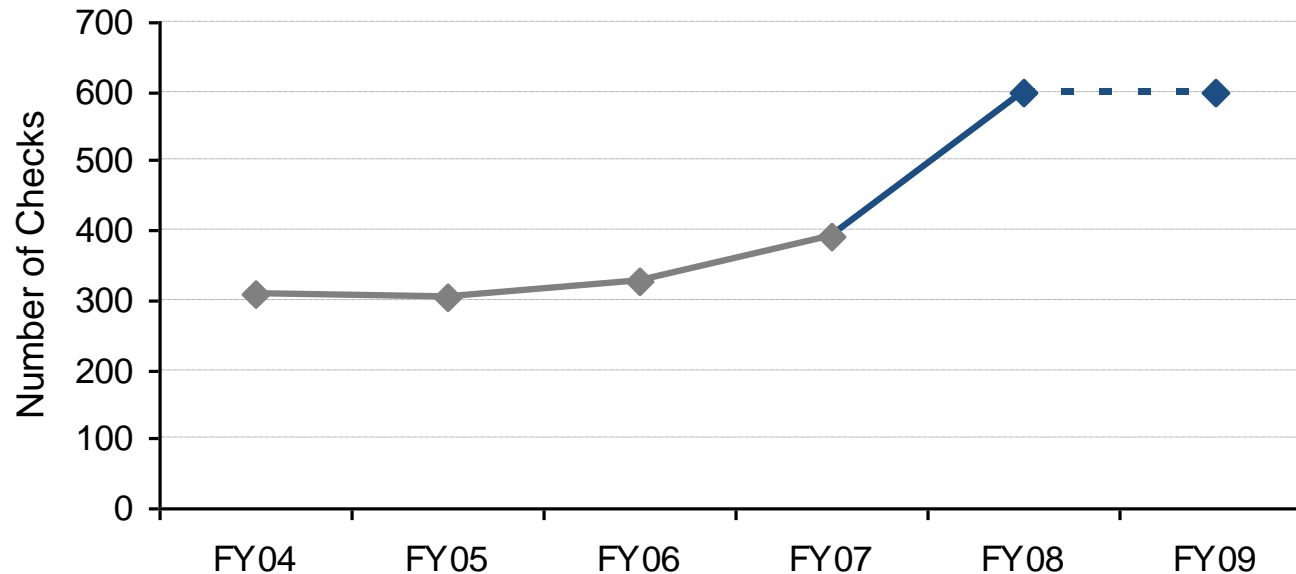
(This strategy has been repeatedly demonstrated to reduce sales of alcohol to minors. -Pacific Institute for Research and Evaluation).

Restricting Factors

- Business owners and their staff bring with them a multitude of attitudes towards alcohol. Some people simply rely on past experiences (i.e. drinking before the age of 21 or drinking past the point of intoxication). One-on-one intervention is often necessary to bring about change.



Measure 8: Number of Annual Alcohol Compliance Checks



Note: Licensure, Regulation and Education was reorganized into the Department of Liquor Control in 2007

DLC has established a target of 600 compliance checks, in partnership with MCPD.



Measure 8: Number of Annual Alcohol Compliance Checks

What constitutes good performance?

- DLC has completed its target of performing 600 compliance inspections. This is an excellent result based on the previous record of the compliance testing program. In addition, the result also demonstrates a good working partnership between DLC and the Department of Police that jointly conduct inspections to achieve the target of 600 compliances.

Contributing Factors

- Preparing the Department inspectors to conduct inspections per procedures.
- Education, training and appropriate disciplinary action for noncompliance.

Restricting Factors

- High turnover of licensee retail staff and low staffing levels, which results in a time consuming effort to conduct inspections.



Wrap-Up

- Confirmation of follow-up items
- Time frame for next meeting

